



ALAN T. SASAKI
AUDITOR-CONTROLLER

COUNTY OF LOS ANGELES DEPARTMENT OF AUDITOR-CONTROLLER

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012
PHONE: (213) 974-8301 FAX: (213) 626-5427

April 15, 1997

Honorable Board of Supervisors
County of Los Angeles
383 Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

SHERIFF DEPARTMENT AUDIT INTERIM REPORT #1

We have completed the initial phase of the Board ordered review of the Sheriff's Department. This phase, which consisted of interviews with department personnel, testing of specific transactions, and observations of available documentation, focused on the following areas:

- Level of budgetary control and analysis of options for improving budgetary information
- Compliance with the Board approved budget
- Accuracy and completeness of the Department's financial records
- Billings for services
- Status of trust funds

The following is a summary of the most significant findings:

- The Department is generally keeping accurate financial records (receivables, payables, etc.). While we did note areas where improvements in accuracy can be made, the dollar amounts of the misstatements identified are relatively minor when compared to the volume and total dollar value of the Sheriff's financial activity. The review has also identified areas where internal controls can be improved.

- The County only has one budget unit for the entire department. Because of its size and diversity of its operations, we have recommended that a minimum of seven budget units be established. We have also presented for consideration an alternative to strict budgetary control which would provide maximum flexibility to the Sheriff while providing most of the informational benefits of a more detailed budget.
- For the last three fiscal years, the Sheriff has generally operated the department within its budgeted financial resources.
- Certain contract cities are significantly in arrears in reimbursing the Sheriff. There is a need to more aggressively pursue collection and enforce late payment penalties.
- The State is withholding approximately \$15 million in certain reimbursements as a result of disputed medical billings. A portion of this amount will likely be permanently disallowed. The Sheriff is working with the State to resolve this issue.
- The County is losing an estimated \$3 million in revenue per year because a substantial number of State inmates receiving care at the LAC+USC jail ward are not being billed to the State. The Sheriff and Department of Health Services need to work together to correct this problem.
- The department is experiencing difficulty in collecting certain miscellaneous revenues such as filmmaking security fees and, therefore, is not recovering the full cost for these services.

Details of these areas and other opportunities to improve the department's fiscal operations are included in the report. In addition, included as Attachment III are the findings of our investigation of certain purchasing transactions and other issues that were the subject of news articles in THE TIMES. We are still reviewing the food related issues.

Attachment IV is the department's response which indicates general agreement with our report. We would like to thank departmental personnel for their cooperation and assistance.

We are proceeding with our audit and are currently starting to review the payroll and procurement functions. The KPMG Peat Marwick portion of the audit is also progressing.

Sincerely,



Alan Sasaki
Auditor-Controller

AS:PTM:ck
Attachments

5:sdaudit

c: Sherman Block
David E. Janssen
Mark Finucane
Larry J. Monteilh
Judy Hammond
Audit Committee

SHERIFF AUDIT

April 15, 1997

Budget Controls

The California Government Code provides the County with significant flexibility regarding the degree of budgetary control it utilizes. The County can establish one budget unit per department or it can establish numerous budget units to control separately the various functions performed within a department.

The County has historically established multiple budget units for large complex departments. For example, the Department of Health Services has nine General Fund budget units along with six Hospital Enterprise Fund budget units. The Department of Public Social Services has five budget units. However, the County currently has only one budget unit for the entire Sheriff's Department which is one of the largest and most complex departments.

Because of its size and diversity, the Sheriff's department should have more than one budget to provide an adequate basis for planning, decision making and controlling. Even though the County only requires one budget unit, the department internally allocates the budget to numerous functions and monitors budgetary performance by these functions. However, these internal allocations are not approved by the Board and not necessarily discussed during budget deliberations or otherwise made readily available to the public.

Also, though the County has only one officially recognized budget unit for the department, the Sheriff utilizes the County's centralized accounting system (CAPS) to separately account for expenditures of numerous functions. Attachment I is an illustration of the functions for which separate accounting records are maintained. Attachment II is an illustration of the level of detailed expenditure data being maintained for a particular operation (Sybil Brand Facility). The accounting structure is currently in place to facilitate increased County budgetary controls.

We believe expanding the number of budget units would improve the budget process by increasing the amount of budgetary information that is readily available and by strengthening budgetary controls. While we realize the degree of detail to which the County should budget the Sheriff is a somewhat subjective determination, we believe at a minimum that the following seven budget units should be established for the department.

Custody
Administration
Court Services
Patrol

Detective
General Support Services
Sheriff Clearing

The County's centralized accounting system (CAPS) can accommodate any number of budget units for a department. In addition, the system can establish budgets for budget units for information purposes, but not impose strict budgetary controls. This is known as the "presence control" option.

If the Sheriff believes that formal budgetary control for these separate units would hinder his ability to operate, the Board and Sheriff should consider the option of using "presence control" whereby the Sheriff's budget would be formally controlled on a department-wide basis, while the budget would be broken down in the accounting system by the above functions for information and monitoring purposes. This would provide for the communication improvements of a more detailed budget, while at the same time providing the Sheriff with maximum operational flexibility.

Recommendations

1. The County utilize at a minimum seven budget units to budget the Sheriff's Department.
2. If the Sheriff believes such controls would be too restrictive, the Board and Sheriff consider the CAPS "presence control" option.

Adherence to the Board Adopted Budget

We reviewed the departments actual financial results as compared to the County budget for the last three fiscal years and found that the department has operated within its budgeted net County cost for the last three fiscal years. The following are the positive net County cost variances for 1993-94, 1994-95 and 1995-96.

1993-94	\$11 million
1994-95	\$12 million
1995-96	\$10 million

While the dollar amount of these variances appears large, they represent approximately 1% of the department's appropriations. The Sheriff has basically operated his department within his budgeted financial resources.

In reviewing more specific variances, we noted that in each year the department has underspent its services and supplies budget, while it overspent its salaries and employee benefits budget for two of the three years.

	S&EB <Over> Under <u>Budget</u>	S&S Under <u>Budget</u>
1993-94	\$.3 million	\$14 million
1994-95	< 4.0 million >	\$24 million
1995-96	< 6.0 million >	\$16 million

We also noted that the Sheriff has consistently overrealized its Institutional Care and Services revenue budget (\$5 million, \$7 million, and \$3 million in 1993-94 through 1995-96).

Budgets provide the most benefit when they represent the best estimate of actual expected results. The above examples of ongoing variances indicate a need to re-evaluate the individual components of the department's budget to ensure individually they represent the best estimate of actual results, based upon past experience and current operating trends.

Recommendation

3. The Sheriff and CAO re-evaluate the individual components of the department's budget to ensure that individually they represent the best estimate of expected results based upon past experience and current operating trends.

Allocation of Costs and Revenues

Although the Sheriff allocates a significant amount of costs to its various organizations (cost centers), all costs were not being allocated. For example, automobile services, data processing, telephone charges, landscape maintenance, security guards, and facility maintenance provided by Sheriff personnel were not being allocated. To establish and reinforce accountability, all expenditures incurred or influenced by an organizational unit should be allocated to it. For this reason, we believe the Sheriff should allocate the above noted expenditures to the various organizational units.

The Sheriff posts all revenue at the department-wide level and does not allocate revenue to various organizations responsible for generating it. Allocating revenues establishes and reinforces accountability for revenue generation. For example, contract city revenues should be allocated to the organizational units generating it.

Recommendation

4. The Sheriff allocate all expenditures and revenues to the organizational units incurring and influencing them.

Budget Reductions

Over the past several years, the Sheriff has indicated that in order to operate within its budget it would make certain program curtailments. The following is a summary of these curtailments.

- Closure of the Mira Loma facility
- Elimination of 22 Administrative positions
- Elimination of 18 Narcotics Bureau positions
- Closure of Biscailuz Center and the Pitchess Honor Rancho
- Elimination of 28 miscellaneous positions through consolidations

With the exception of the 22 Administrative positions and 28 miscellaneous positions, we were able to determine that the Sheriff actually substantially reduced costs in the areas noted. We were not able to identify any cost reductions associated with the proposed curtailments in administration and the miscellaneous positions. Sheriff personnel indicated the majority of these positions were vacant items.

Accounts Payable

Accounts payable represent liabilities for goods and services received during the year, but not paid as of the end of the year. The Auditor-Controller provides instructions to the departments on how to account for these liabilities to help ensure the County has accurate records of its financial position and results of operations.

Our review indicates that the Sheriff is not recording all accounts payable. For the last three fiscal years, the department's payables averaged only \$1.18 million which appeared too small for an operation as large as the Sheriff. Accordingly, we selected a relatively small sample of 49 payments charged against the 1996-97 budget year in August 1996 and found that 9 (18%) should have been recorded as liabilities as of June 30, 1996 and charged to the 1995-96 budget. A similar sample of August 1995 payments showed a 44% error rate.

By not recording the accounts payable the Sheriff is understating the amount it owes at year-end. This misstates the County's financial position as it overstates the year-end fund balance available to finance the following year's budget. It can also lead to distortions of expenditures between fiscal years which can result in errors in estimates and projections.

In order to correct this problem, Sheriff management should re-instruct the personnel responsible for calculating accounts payable on the proper procedures to be followed and monitor to ensure compliance.

Recommendation

5. Sheriff management re-instruct the personnel responsible for calculating accounts payable on the proper procedures to be followed and monitor for compliance.

Commitments

Commitments represent funds reserved to pay for future obligations on contracts. They differ from accounts payable in that the goods or services have been contracted for but not yet received. County procedures require departments to review outstanding commitment balances and cancel those that no longer represent obligations. Each year departments must send positive confirmations to the Auditor-Controller that outstanding balances are proper or need to be reduced.

There is a need to improve the accuracy of the Sheriff's review of commitments. Over the last three fiscal years, an average of \$696,000 in commitments that were carried over from the prior year were subsequently cancelled. We selected a sample of 22 commitments, totalling \$862,000, currently outstanding and found that six, representing \$416,000, should have been cancelled prior to the 1995-96 year end. The total amount of outstanding commitment reserves at the time of our test was \$2.4 million.

Leaving unnecessary commitment reserves on the County's accounting records results in an understatement of the year-end fund balance available to finance the following year's budget. It also complicates budget forecasting.

In order to improve the accuracy of the Sheriff's commitment reserves, management should re-instruct appropriate personnel on the criteria for maintaining commitments and monitor each year to ensure that only necessary balances are maintained.

Recommendation

6. Sheriff management re-instruct appropriate personnel on the criteria for maintaining commitment reserves and monitor each year to ensure that only necessary balances are maintained.

Accounts Receivable

Contract Cities

In reviewing the Sheriff's accounts receivables, we noted that certain contract cities were not paying the County in a timely manner. As of December 31, 1996 approximately \$2,404,000 was over 90 days past due. The four most delinquent cities were as follows:

<u>City</u>	<u>Overdue 90 Days</u>
Paramount	\$807,769
Palmdale	673,186
Artesia	371,244
Malibu	<u>323,910</u>
	\$2,176,109

In addition, we noted that the accounts receivable contain approximately \$431,000 in amounts due from 1995-96 and prior years going back as far as 1993-94.

The cities' failure to pay in a timely manner adversely affects the County's cash position and interest revenue.

The Sheriff's collection procedures generally consist of sending past due notices to city personnel. This apparently is not resulting in correcting the problem. In addition, we noted that, even though the service contracts include a provision for late payment fees (interest charges), the Sheriff is not enforcing the provision.

The Sheriff needs to more aggressively pursue these collections. We suggest the following policy and procedures be considered:

- Notifying city councils directly of amounts past due over 60 days
- Negotiating payment plans with delinquent cities to bring their accounts up-to-date
- Enforcing the existing late payment fee contract provision
- Where feasible, stop providing service until accounts are current

Recommendation

7. The Sheriff institute more aggressive revenue collection procedures for contract cities.

Department of Corrections Disputed Billings

We noted that the Sheriff had an outstanding receivable of approximately \$18 million at December 31, 1996 from the State Department of Corrections. A large portion, approximately \$15 million, is due to the State withholding payment for hospital days since July 1995.

The State is withholding payment because a State audit of billings disclosed the Sheriff sometimes billed for hospital days when the inmate was not actually hospitalized, but was occupying hospital space. The State is currently reviewing this matter to determine the extent of the overbillings.

The Sheriff is trying to resolve this matter as soon as possible. Because the receivable has previously been recorded on the County's accounting records as revenue, an adverse settlement will result in a financial loss to the County.

The Sheriff should continue its efforts to resolve the billing issue with the State. If the issue is not resolved by year-end, the Sheriff should process a revenue adjustment based upon its best estimate of the outcome.

Recommendations

8. The Sheriff continue its efforts to resolve the billing issue with the State.
9. If the issue is not resolved by year-end, the Sheriff process a revenue adjustment based upon its best estimate of the outcome.

LAC+USC Jail Ward

One of the locations Sheriff inmates receive medical care is the LAC+USC jail ward. The Sheriff bills the State for security costs at the jail ward for State responsible prisoners. The Department of Health Services (DHS) bills the State for the cost of actual medical care. At the present time, Sheriff deputies at the site are expected to inform DHS personnel as to which inmates are State responsible.

We selected a sample from the Sheriff's records of State responsible inmates who received care at the jail ward and compared it to the DHS billing records to determine if the process was functioning properly. The test consisted of the 42 hospital stays for the period September through November 1996. We found that only four stays had actually been identified as State responsible and billed to the State. The remaining 38 were not identified as State responsible and were not billed.

The 38 unbilled stays for which there was billing information available amounted to approximately \$800,000. Projecting to a full year indicates an annual County revenue loss of approximately \$3 million.

The current eligibility screening and billing process can be streamlined to more effectively and efficiently identify State responsible patients. It does not appear that the Sheriff deputies should be the personnel responsible for initiating DHS billings. The Sheriff's revenue personnel have reports that identify State inmates receiving care at the jail ward (the same reports we used to conduct the test). These reports could be provided directly to the DHS revenue personnel, compared to DHS records, and used to complete the billing process, relieving the deputies of the responsibility.

Because of the amounts involved, we believe the two departments should work together to identify prior unbilled State inmates and produce State billings.

During our review, we were informed that no attempt is made to bill cities when city inmates receive care at the jail ward. The Sheriff and DHS should determine the legality of charging cities for services provided at the jail ward and charge the cities, if appropriate.

Recommendation

10. The Sheriff and DHS modify their procedures so that the Sheriff revenue personnel directly provide information to the DHS revenue personnel regarding State inmates receiving care at the LAC+USC jail ward.
11. The Sheriff and DHS work together to identify prior unbilled charges and bill the State.
12. The Sheriff and DHS determine the legality of billing cities for services provided to city inmates and charge the cities, if appropriate.

Miscellaneous Receivables

The Sheriff charges for various miscellaneous services such as filmmaking security, special events security, training, witness fees, etc. We noted that as of January 31, 1997 there was an uncollected balance of approximately \$800,000, of which approximately \$455,000 was for services provided during 1995-96 and prior years. Sheriff personnel indicated they often experience difficulty collecting these charges and, for the amount of money involved, it was difficult to allocate resources to pursue collection of these individually small amounts. In addition, amounts are often found to be uncollectible (film firms closing, etc.) We noted that delays in billing and follow-up efforts were also contributing to the problem.

We believe the department, whenever possible, should require up-front payment of charges and, for those services for which the charge is not yet known, up-front deposits of estimated charges. In addition, services should not be provided to those entities/individuals who have delinquent accounts. The department should also establish a goal of billing for all services within 30 days of providing the service and monitor to ensure compliance.

Recommendations

13. The Sheriff, whenever possible, require up-front payment of charges and, for those services for which the charge is not yet known, up-front deposits of estimated charges.
14. The Sheriff discontinue providing services to those entities/individuals who have delinquent accounts.
15. The Sheriff establish a goal of billing for all services within 30 days of providing services and monitor for compliance.

Uncollectible Accounts

The Sheriff **does** not routinely review accounts receivable and write off uncollectible accounts. During our testwork, we observed instances where apparently uncollectible accounts were currently in the accounts receivable ledger. This results in an overstatement of receivables and the County's available fund balance. We also noted the Sheriff did not have criteria for determining uncollectible accounts.

In order to avoid an overstatement of accounts receivable, outstanding balances should be reviewed at least annually and uncollectible amounts written off. To help ensure the reviews are performed properly, criteria for determining uncollectible accounts should be established.

Recommendations

16. The Sheriff establish criteria for determining uncollectible accounts.
17. The Sheriff perform an annual review of accounts receivable and write off uncollectible accounts.

Data Entry

This phase of our review did not include a study of data processing operations. However, we noted that several systems utilize common data elements and that elements were manually being entered into each system.

For example, invoice information for services provided by the Internal Services Department (ISD) is available on electronic media. However, the Sheriff's fiscal staff are using ISD's hard copy invoices to capture this expenditure information. Upon receipt of these invoices, department staff input the information into a spreadsheet program to compute the amount of these costs to allocate to various cost centers. The spreadsheets are then printed and forwarded to a data entry unit for input to the department's expenditure system.

Another example is that revenue and trust account information is input three times, once each into the Sheriff's revenue database, a personal computer database and a spreadsheet program.

The efficiency of these business processes could be improved if electronic interfaces were developed between systems to eliminate duplicate data entry. In addition, whenever possible, the Sheriff should receive data from other sources in an electronic format for input into the department's systems.

A detailed review of data processing operations will be performed in a subsequent phase of the Sheriff audit.

Recommendations

18. The Sheriff develop electronic interfaces of common data elements.
19. Whenever possible, the Sheriff receive data from external sources in an electronic format.

Trust Funds

Miscellaneous Trust Account

The Sheriff maintains a Miscellaneous Trust Account in which certain inmate funds, cash taken as evidence and miscellaneous deposits are held. The Sheriff does maintain a control balance and reconciles this with the CAPS balances. However, the department does not maintain a subsidiary ledger to provide information regarding the individual deposits which comprise the control total. It does have manual files with individual deposit permits, etc., but no listing that reconciles to the total.

A detailed subsidiary ledger that adds up to and is reconciled with the control total is necessary to provide accountability over trust deposits and to help ensure that any errors and irregularities are detected. An electronic ledger would also make it easier to find information and research deposits. We did note three apparent revenue deposits totalling \$222,000 have remained unresolved in the account since they were deposited in 1994 and 1995.

Recommendation

20. The Department maintain a detailed subsidiary ledger for its Miscellaneous Trust Account.

MAPAS Trust Fund

The Sheriff maintains a Marshal's Automated Process Accounting System (MAPAS) trust fund which it utilizes to account for wage garnishments, proceeds from property seizures and various fees.

Sheriff personnel could not provide any examples of reconciliations for this account and indicated their records had not been reconciled with the CAPS cash balance for at least one year. Reconciliations are necessary to help ensure errors and irregularities are detected in a timely manner.

Recommendation

21. The Sheriff perform monthly reconciliations of the MAPAS Trust Fund records with the CAPS cash balance.

Bail Account

The Sheriff maintains a checking account into which the various locations deposit bail funds. The Sheriff issues checks to the courts to transfer the funds to the courts' trust funds which are part of the County Treasury Pool. The Sheriff does have County authorization for this checking account.

It appears this process resulted from the courts preferring to receive a check rather than a journal voucher. A journal voucher transfers funds between accounts within the Treasury Pool.

We noted that the checking account, over the last six months, had an average month-end balance of approximately \$700,000. This is resulting in lost interest revenue of approximately \$40,000 per year. In addition, this process whereby one County entity issues a check to pay another County entity is cumbersome.

In order to streamline the process and maximize cash flow and interest revenue, the Sheriff should deposit these funds directly into a Treasury Pool account and transfer the funds to the courts utilizing a journal voucher. In order to accomplish this, the Sheriff will need the assistance of the Auditor-Controller and Treasurer. The Auditor-Controller will coordinate any necessary procedural changes with the courts.

Recommendation

22. With the assistance of the Auditor-Controller and Treasurer, the Sheriff modify bail handling procedures to deposit funds directly into the County Treasury Pool and transfer funds to the courts utilizing journal vouchers.

Written Procedures

The Sheriff does not maintain written procedures for its financial operations. We noted, in certain instances, personnel were performing part of a function, but had limited knowledge of the entire process. Knowledge of the entire process enables personnel to know how their work can affect the work of others and helps avoid problems. In addition, we noted instances where requirements such as performing reconciliations in a timely manner, approving reconciliations, and marking items paid were not consistently being done.

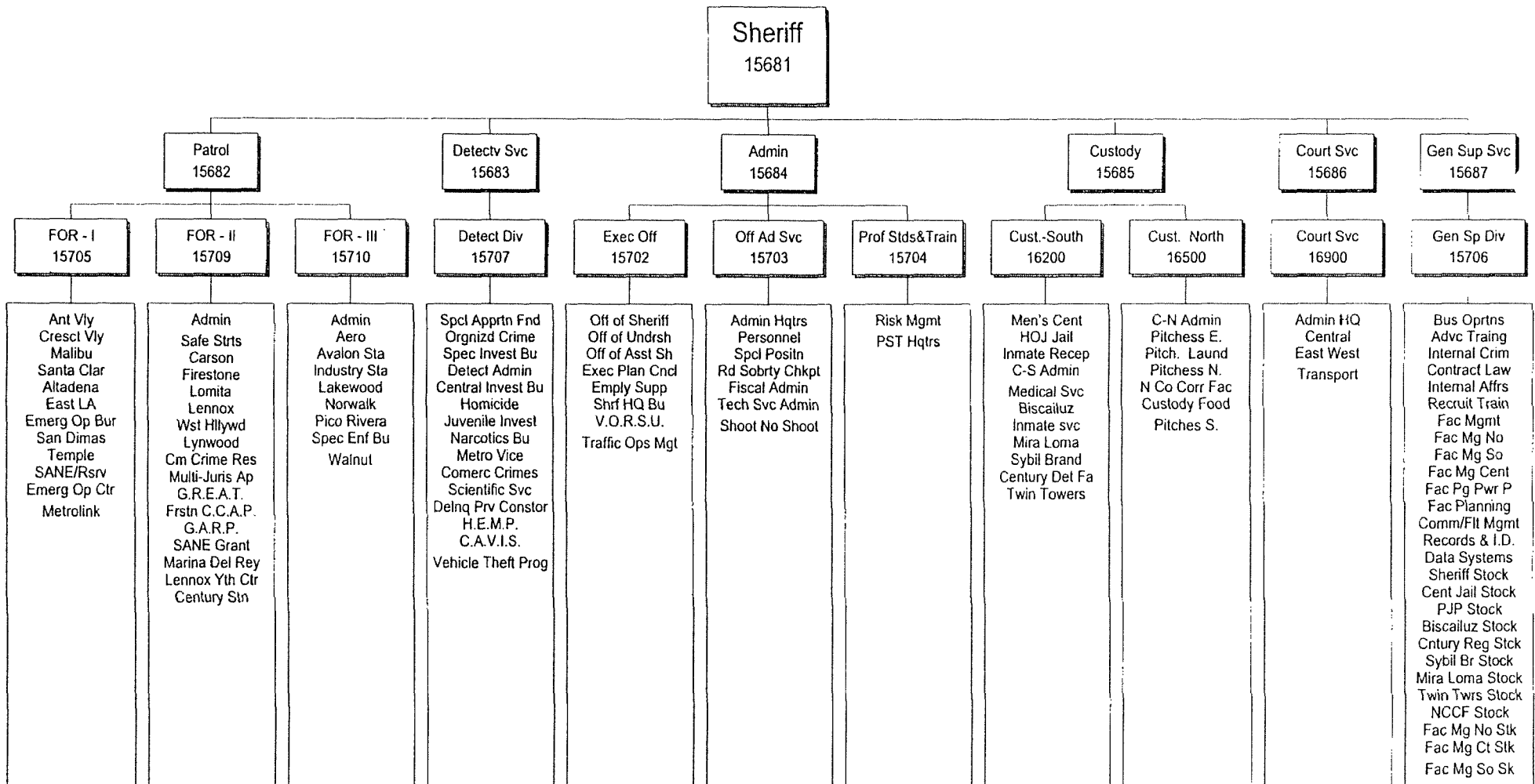
Written procedures would clarify required procedures and responsibilities and would also improve the knowledge and interaction of personnel.

Recommendation

23. The Sheriff develop written procedures for its financial operations and monitor to ensure compliance.

Sheriff's Department Fiscal Review
Cost Accounting Organization Structure
Fiscal Year 1996-97

Attachment I



Sybil Brand Institute
Summary Listing of Expenditures
Fiscal Year Ended June 30, 1996

Attachment II

Salaries & Employee Benefits

Permanent Employees	\$18,057,842
Temporary Employees	100,424
Overtime	1,592,040
Other - Sick Leave Pay	129,695
Retirement	1,128,667
Retiree Health Insurance, Pension Bonds	1,036,591
FICA, Insurance, Unemployment	198,501
Peace Officer Relief Contribution	104,880
Workers' Compensation	824,547
Flex & Megaflex, Choices & ESP	1,389,111
Thrift , Options, Savings Plans	175,224
Expenditures Applic to Prior Years	80,771

TOTAL SALARIES & EMPLOYEE BENEFITS: \$24,818,292

Services and Supplies

Inmate Clothing & Personal Supplies	22,212
Cleaning & Household Expenses	33,264
Other (Sheriff Stock Transfer)	32,896
Paper Products	187,555
Rubbish Disposal	54,000
Computers & Equipment Maint.	24,333
Office Supplies, Services	59,500
Other Profess'l & Specialized Srvcs	176,158
ITS Equipment and Supplies	60,214
Utilities	705,376
Other	44,321

TOTAL SERVICES AND SUPPLIES: 1,399,830

Other Charges

LAC-CAL Lease Payments	2,301
Fixed Assets - Equipment	5,222

TOTAL OTHER CHARGES: 7,523

TOTAL CURRENT YEAR EXPENDITURES: \$26,225,645

Expenditures Applicable to Prior Years

Commitments	49,127
Year End Expenditure Accrual	990

TOTAL EXPENDITURES - PRIOR YEARS: 50,117

sybshort.wk4

TOTAL EXPENDITURES: \$26,275,762

NOTE: The expenditures listed above have been summarized to illustrate the range of available information. Actual expenditure details include over 80 expenditure categories.

**Sheriff Procurement Issues
Summary of Findings**

The Los Angeles Times (Times) reported extravagant purchases and inappropriate procurement practices by the Sheriff's Department in their November 3 and 4, 1996 articles. To determine the validity of the allegations in the Los Angeles articles, we interviewed County vendors, Sheriff's Department and Internal Services Department (ISD) staff and reviewed procurement documents. The following is a summary of our findings:

Toaster

Allegation

The Times alleged that the Sheriff's Department purchased a toaster for \$466.

Findings

The Sheriff purchased a \$466 Hobart four-slice stainless steel toaster for Sybil Brand Institute. The Department of Health Services Environmental Health Section told us that the California Health and Safety Code requires food service equipment to meet the National Sanitation Foundation (NSF) standards. Commercial grade toasters such as the Hobart toaster meet NSF standards.

We contacted two restaurant equipment supply vendors and received price quotes for the Hobart of \$551 and \$590. Another brand commercial toaster was quoted at \$485 and \$464.

Conclusion

Assuming Sybil Brand Institute had a need for a new toaster, the purchase price of \$466 was reasonable given the Health and Safety Code requirements for NSF standards.

County Vehicles Assigned to the Sheriff

Allegation

The Times alleged that three vehicles are reserved for the exclusive use of the Sheriff.

Findings

The Sheriff has one primary vehicle and one backup vehicle of the same make and model with identical communication and emergency equipment. In August 1996, a new vehicle was purchased to replace the backup vehicle. The new vehicle was placed into service November 13, 1996 as the Sheriff's primary vehicle after communication components were installed in the vehicle. The old backup vehicle was subsequently sold at auction on December 1, 1996.

According to Lieutenant Robert Sedita, Sheriff Court Services Fleet Service, two vehicles are needed for the Sheriff because he is the County emergency preparedness coordinator.

Conclusion

It appears that the Sheriff always has two vehicles for his exclusive use due to his role as the County's emergency coordinator. Because there was a delay in equipping the new vehicle the old back-up vehicle had not been sold resulting in the Sheriff having three vehicles assigned to him at the time of the Times article.

Office Furniture

Allegation

The Sheriff's Department purchased furniture totaling \$18,661 for the office of a newly appointed Assistant Sheriff.

Findings

According to Fred Ramirez, Director of Administrative Services, the former Assistant Sheriff had his office decorated in a country western style. Some of the furniture was the Assistant Sheriff's personal property which he took with him when he retired. The remaining pieces were shipped to the Sheriff's museum.

The purchase of the furniture for the new Assistant Sheriff was approved by the Department and competitively bid through ISD. The purchase included a conference room table and 14 chairs, two sofas, an executive chair, two guest chairs, three credenzas and keyboard pull out tray.

Conclusion

It appears there was a legitimate need to purchase furniture and the purchase of the furniture was properly approved by the Department and in accordance with County procedures. The quantity and quality of furniture is a department policy decision.

Toilet Paper

Allegation

Expensive two-ply toilet paper was purchased instead of cheaper one-ply paper.

Findings

We confirmed that Sheriff's Department staff requisitioned two-ply toilet paper. When ISD advised the Department that other departments purchased only one-ply paper, the requisition for two-ply toilet paper was cancelled. According to Mr. Ramirez, they subsequently purchased one-ply paper from an agreement vendor.

Conclusion

Although two-ply toilet paper was originally requisitioned, it was never purchased.

Automated Bus Washing System

Allegation

The Sheriff's Department installed a \$132,000 automated bus washing system without Mr. Ramirez being aware of the expenditure.

Findings

Currently, Sheriff's Department buses are hand washed by trustees in an open area of the Central Jail with the waste water draining into a storm drain. According to the Department of Public Works, the Sheriff's Department is violating the Federal Clean Water Act by allowing water to drain into the storm drain. As a result, the Sheriff explored the possibility of contracting the bus washing function to an outside vendor. The lowest quote they received was for \$76,900 annually. The Department determined it would be more cost effective to install an automated bus washing system.

The contract for the system was awarded to a vendor for \$73,652. In addition, approximately \$27,000 will be incurred to build a concrete slab with trench drains, sand trap and a roof cover. Total cost will be approximately \$100,652. As of the date of this report, the installation is not complete.

The automated system was approved by Chief Robert Mann and paid for with AB709 funds. AB709 funds are derived from civil fines and are restricted to implementation, maintenance and purchase of automated systems or other non-automated operational equipment.

Conclusion

We believe that the installation of an automated bus washing system was necessary to bring the Sheriff's Department in compliance with the Federal Clean Water Act. It also appears to be a more cost effective alternative than having a contractor wash the buses.

Such a large expenditure should normally come to the attention of Mr. Ramirez. We will explore this further in our management review of Department procurement practices.

Radiology Lab Equipment

Allegation

An electrical contractor was allowed to design the Twin Towers radiology lab that best suited the contractor's own X-ray equipment, giving the contractor an unfair advantage in the bid process to equip the lab.

Findings

General Electric (GE) volunteered to draw blue prints of the existing radiology lab configuration with their equipment in place. GE and five other vendors subsequently bid on the lab equipment contract. GE did not meet the equipment specifications and was eliminated as a bidder.

Bill Breckinridge, a radiology acquisition consultant hired by ISD, told us GE's blue print design did not prevent other vendors from bidding. The contract was awarded to E.P. Radiological, Inc. E.P. Radiological told us that the room was functionally a universal room requiring minimal modifications to accept their equipment. They believe any vendor would have had to make some modifications.

Conclusion

We believe that using GE as a consultant and then allowing them to bid on the radiology equipment contract potentially gave them an unfair advantage over other bidders. Because GE did not win the contract there was no actual conflict in this case.

Purchase of Televisions

Allegation

The Sheriff's Department purchased 217 Zenith 27 inch television sets without going through the competitive bidding process.

Findings

On October 3, 1996, ISD received an Inmate Welfare Fund (IWF) requisition for 217 Zenith 27 inch color television sets for the new Twin Towers facility. In late October 1996, ISD determined that the Department had already ordered the televisions from Zenith Electronics Corporation on September 25, 1996 and taken delivery on October 7, 1996. The cost per unit was \$307. ISD refused payment and told the Department to obtain Board approval.

According to Mr. Ramirez, he was unaware the Department had purchased the televisions without a competitive bid. When he found out about the purchase, 80 of the television sets had already been installed. The remaining 137 sets were subsequently returned to the vendor with a 15% restocking fee.

On February 18, 1997, the IWF submitted a requisition to ISD for the purchase of 200 Zenith, 27 inch televisions as well as 108 other size Zenith sets. One hundred of the sets will be installed in Twin Towers. The Department specified Zenith only televisions because they believe that Zenith televisions hold up longer, are easier to repair, parts are readily available and Zenith is compatible with existing support systems. ISD did not agree with the Department's justifications for Zenith televisions and proceeded with acquisition by competitive bid. Another vendor submitted the lowest bid for \$304 per set.

Conclusion

The Sheriff's Department made an unauthorized purchase of televisions. The Department also incurred a 15% restocking fee for returning the 137 televisions sets raising the price of the repurchased units to \$350 a set. The purchasing approval and competitive bid issues related to these purchasing transactions will be reviewed further in the broader context of the management audit of the procurement function.

Allegation

The IWF is used to purchase cable movie channels, videocassette recorders (VCR), televisions and film rentals. Also, \$28,000 was paid to a video firm. In addition, inmates are allowed to watch violent movies.

Findings

IWF monies are derived mostly from jail store sales and the funds are used to benefit the inmates. Purchases of televisions, cable, VCRs, film rental, etc., are allowable if approved by the IWF Commission.

Continental Cable Company told us that Pitchess Honor Ranch facilities have subscribed to basic cable service and the Movie Channel since 1974. Fiscal Year 1996-97 cable service expenditures are estimated at \$37,842. Sheriff's Department personnel told us that Pitchess is the only jail facility with cable television and indicated that the terrain will not allow normal antenna television reception.

The Department contracted with Public Media, Inc. for a public performance license to show pre-recorded theatrical videotapes to inmates and for the rental of 300 videos for one year. The annual cost of the contract is \$28,000. According to a State Attorney General opinion, showing videos to inmates requires a public performance license.

Conclusion

The use of basic cable at Pitchess Honor Ranch appears to be justified because the terrain does not allow for antenna reception. The cost of basic cable, the movie channel and video rentals are paid for by the IWF with approval of the IWF Commission. The types of movies watched by inmates is a Department policy decision.

Dean Dana's Aide

Allegation

Former Supervisor Deane Dana's criminal justice aide, Debbie Crawford, has been on the Sheriff's Department payroll since February 1996, compromising her ability to be objective when providing information to the Supervisor about public safety and the Department.

Findings

Debbie Crawford was employed by Supervisor Dana from January 1981 to February 1996. In February 1996, she transferred to the Sheriff's Department payroll but continued to work for the Supervisor until December 1, 1996. According to Ms. Crawford, Supervisor Dana requested she continue to work for him until he retired.

On December 11, 1996, Supervisor Dana's Office reimbursed the Sheriff's Department for Ms. Crawford's salary, employee benefits and overhead for July 1996 through November 1996. The Department was not reimbursed for Ms. Crawford's salary for February 1996 through June 1996 because the Fiscal Year closed on June 30, 1996 and reimbursements had to be requested by July 24, 1996.

Conclusion

Ms. Crawford was paid by the Sheriff's Department while she was still working for Supervisor Dana. Although this gives the appearance of a conflict of interest, there is no way to determine if this affected her objectivity in providing information to Supervisor Dana.

ATS:MR
970110



SHERMAN BLOCK, SHERIFF

County of Los Angeles
Sheriff's Department Headquarters
4700 Ramona Boulevard
Monterey Park, California 91754-2169



April 15, 1997

Mr. Alan T. Sasaki
Auditor-Controller
County of Los Angeles
525 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Mr. Sasaki:

RESPONSE TO THE SHERIFF'S DEPARTMENT'S AUDIT

Overall the Sheriff's Department concurs with your audit findings and will take action to improve the noted deficiencies (see Attachment I). Regarding the Sheriff's Department's procurement practices as reported by the Los Angeles Times, we believe your audit findings factually report the issues. The audit's recommendations will be addressed (see Attachment II). Additionally, we have implemented internal controls to ensure that all expenditures from our special funds, including the Inmate Welfare fund, AB709 or AB1109, receive prior clearance.

We thank you for the professionalism of your staff and the thoroughness of the audit. The recommendations will assist this Department to improve our procedures. Please contact me if I can be of further assistance, at (213) 526-5000.

Sincerely,

A handwritten signature in cursive script, appearing to read "Sherman Block".

SHERMAN BLOCK
SHERIFF

A Tradition of Service

RESPONSE TO AUDIT OF FISCAL SERVICES

The following responds to the Auditor-Controller's recommendation and report:

Recommendation:

Response:

1, 2
Budget Controls

Concur: The Sheriff's Department will expand the number of Budget units to ensure greater budgetary control. Currently, we maintain a detailed level of expenditures in CAPS which will facilitate this recommendation.

3, 4
Adherence to Board Adopted
Budget and Allocation of Costs
Revenues

Concur: We will budget revenues at the unit level in Fiscal Year 1997-98 as well as all expenditures. While we have operated our Department within the budgeted financial resources, we could improve the allocations between Salaries and Services and Supplies. We often overspend salaries mainly overtime, due to situations beyond our control, such as jail overcrowding disturbances, community unrest or significant vacancies in Post positions. This requires that we force savings in Services and Supplies to meet our Board adopted Net County Cost.

5, 6
Accounts Payable/
Commitments

Concur: Staff will be reinstructed in the proper procedures for calculating Accounts Payable as well as reviewing the accuracy of commitments. Further, we will audit their activities for compliance.

Recommendation:

Response:

7

Accounts Payable

Concur: We will immediately commence notifying city councils of amounts over 60 days delinquent as well as negotiating payment plans with those cities. Should those efforts fail, we will implement late payment penalties as necessary.

8, 9

Department of Corrections
Medical Billings

Concur: The Sheriff's Department is continuing efforts to resolve the medical billing for Fiscal Year 1995-96 and Fiscal Year 1996-97. The State Office of the Controller has completed their audit of the daily jail and medical billing rates and will be submitting their findings by May 5, 1997. This audit is a legislative requirement introduced by the Department of Finance, prior to the Department of Correction's payment of these prior year medical billings to the County. We are negotiating a partial payment of the medical billings prior to the end of this Fiscal Year based on the preliminary audit findings. We will then commence a joint detailed review of all prisoner maintenance billings with the Department of Corrections to adjust revenue billing commencing with Fiscal Year 1993-94.

10, 11, 12

LAC USC Medical Billings

Concur: In Fiscal Year 1992-93, we transferred Net County Cost from the Sheriff's Department to the Department of Health Services (DHS) to pay for hospital as well as clinic visits by County jail inmates. Since that time, we have staffed the jail ward with a deputy to identify State parolees so that DHS could directly bill the State. We will work with DHS to identify prior un-billed charges. Cities can be billed for medical services provided to inmates only if they are arrested and detained on local city law violations.

Recommendation:

Response:

13, 14, 15
Miscellaneous Receivables

Concur: We will implement procedures to ensure up-front payment from unknown vendors or vendors who have been identified as "slow to pay" their bills. Also, we will establish procedures and the necessary communications protocol to discontinue service to entities with delinquent accounts. In certain instances in the past we have required up-front payments. Our current goal is to bill for services as soon as possible or within 30 days which is often delayed by the receipt of billing information by the Fiscal Services unit. We will monitor for compliance.

16, 17
Uncollectible Accounts

Concur: Our practice in the past has been to review all accounts receivable annually to determine if we should write them off or continue as a collectable. We will formalize these procedures, and establish criteria to determine whether the accounts receivables are uncollectible.

18, 19
Data Entry

Concur: We have established an automated fiscal and payroll system which interfaces with the County systems. We have not completed the revenue or fixed assets modules for our fiscal systems due to a lack of funding. We are aware of the need to automate and link common data elements and of the redundant data entry process. These projects are unfortunately a low priority and compete poorly with the year 2000 issue of our mainframe systems or the need to replace the aging Automated jail system or JDIC equipment. This is a financial issue.

Recommendation:

Response:

20

Miscellaneous Trust Accounts

Do not concur: The Department does maintain a manual subsidiary ledger with all the required details available for review and audit purposes. The majority of the detailed information pertains to unclaimed funds from released inmates. The information is batched and a summary report is prepared (with all the details attached) and used for deposit, data entry and reconciliation. The existing electronic ledger reflects the total on the summary report which is reconcilable to CAPS. The volume of inmate information and the amounts involved make it unfeasible to maintain a detailed automated subsidiary ledger. This would constitute an unnecessary duplication of information and effort.

21

MAPAS

Concur: We will conduct monthly reconciliations of MAPAS Trust fund records with CAPS cash balance.

22

Bail Account

Undetermined: As long as the courts agree with the change in procedure, the Department will work with the Auditor-Controller and the Treasurer to implement the modified bail handling procedures as recommended.

23

Written Procedures

Concur: We will establish written procedures to clarify existing County fiscal and procurement manuals as well as directives.

ATTACHMENT II

RESPONSE TO AUDIT OF SHERIFF'S PROCUREMENT AS REPORTED BY LOS ANGELES TIMES

As stated earlier, we generally concur with this audit which clarifies the issues published in the Los Angeles Times. We are not responding to every finding/conclusion in this Audit document.

Issue/Finding

Comment

Automated Bus Washing System

The Audit finding confirms the need for this purchase in order for the Department to be in compliance with current legislation. We have established procedures to ensure that all special fund (e.g. AB709/1109) purchases must be cleared through the Fiscal Administration director.

Purchase of Televisions

The purchase of the television sets was a staff error which suggests the need for additional training of divisional staff in the procurement process. In this instance, the purchase was previously approved by the Inmate Welfare Commission. The staff involved in this process failed to follow established purchasing procedures.

Deane Dana's Aide

In the past, we have provided staff to the Board of Supervisors, C.A.O., as well as other Departments on a temporary or long term basis. These staff are requested for their talent, training or special abilities. There has never been a question of their objectivity or conflict of interest. Whether Ms. Crawford is employed by the Sheriff on loan to a Board office or working directly for the Board office, her salary is paid by the County. The Sheriff erred in not billing for Ms. Crawford's salary for the four month period in Fiscal Year 1995-96.